The Arc Baton Rouge
Baton Rouge, Louisiana
June 30, 2011

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November 30, 2011

Independent Auditor's Report

The Officers and Board of Directors
The Arc Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of

The Arc Baton Rouge
(A Non-Profit Organization)
Baton Rouge, Louisiana

as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc Baton Rouge as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of The Arc Baton Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

The Arc Baton Rouge
Statements of Financial Position
June 30, 2011 and 2010

Assets

	2011	2010
Assets		
Cash and cash equivalents	$529,127	$412,631
Investments	77,990	123,634
Receivables		
Trade	95,667	137,548
State contracts	137,838	70,544
Federal contracts	255,624	270,233
Inventory	17,222	15,520
Property, Plant and Equipment, Net	922,601	965,990
Deposits	6,243	7,243
Total assets	2,042,312	2,003,343

Liabilities and Net Assets

	2011	2010
Liabilities		
Accounts payable	122,339	83,110
Accrued expenses	261,595	256,732
Line of credit	14,485	37,626
Deferred income	32,294	55,648
Accrued pension cost	1,058,630	1,090,214
Total liabilities	1,489,343	1,523,330
Net Assets		
Unrestricted	506,450	480,013
Temporarily restricted	46,519	
Total net assets	552,969	480,013
Total liabilities and net assets	2,042,312	2,003,343

The accompanying notes are an integral part of these financial statements.

The Arc Baton Rouge
Statements of Activities
Years Ended June 30, 2011 and 2010

	June 30, 2011			June 30, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating:						
Revenue and Gains						
Federal and State contracts	$4,928,706		$4,928,706	$4,921,224		$4,921,224
Federal awards	207,527		207,527	213,191		213,191
Program sales and service fees	339,898		339,898	370,028		370,028
Capital Area United Way	192,568		192,568	153,697		153,697
Contributions	243,220	$46,519	289,739	91,010		91,010
Investment return	6,808		6,808	711		711
Public grants and other income	501,731		501,731	393,825		393,825
Total revenue and gains	6,420,458	46,519	6,466,977	6,143,686		6,143,686
Expenses						
Program services	6,087,759		6,087,759	6,087,792		6,087,792
General and administrative	394,160		394,160	417,955		417,955
Fund raising	35,594		35,594	31,883		31,883
Total expenses	6,517,513		6,517,513	6,537,630		6,537,630
Increase (Decrease) in Net Assets from Operating Activities	(97,055)	46,519	(50,536)	(393,944)		(393,944)
Non-Operating:						
Pension-related changes other than net periodic pension costs	123,492		123,492	(38,870)		(38,870)
Increase (Decrease) in Net Assets	26,437	46,519	72,956	(432,814)		(432,814)
Net Assets, beginning of year	480,013		480,013	912,827		912,827
Net Assets, end of year	506,450	46,519	552,969	480,013		480,013

The accompanying notes are an integral part of these financial statements.

The Arc Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2011

	Metro Enterprises Business	Metro Enterprises Rehabil-itation	Early Intervention Programs	Respite Care Programs	Louisiana Career Development Center	Vocational Services Placement	Community Services	Community Life	Total Program Services	Manage-ment General and Other	Fund Raising	2011 Totals
Compensation and Related Benefits												
Salaries	$260,412	$541,345	$563,909	$1,119,423	$117,442	$63,152	$31,486	$1,101,758	$3,798,927	$203,131	$20,000	$4,022,058
Payroll taxes	20,372	40,943	41,512	85,088	7,745	4,126	2,396	84,621	286,803	16,608		303,411
Employee health		48,337	27,649	67,964	11,384	4,785	3,983	77,658	241,760	17,010		258,770
Retirement plan	19,009	25,056	61,273	21,033	13,745	2,894	1,553	14,157	158,720	39,438		198,158
	299,793	655,681	694,343	1,293,508	150,316	74,957	39,418	1,278,194	4,486,210	276,187	20,000	4,782,397
Contractual services	35,517	947							36,464			36,464
Professional services	442	8,098	206,304	2,611		7,411	27,138	2,723	254,727	39,041		293,768
Supplies	1,867	5,655	79,880	6,821	710	421	3,932	6,256	105,542	10,669		116,211
Utilities and telephone	15,451	36,901	43,834	15,394	14,995	5,867	597	6,808	139,847	15,624		155,471
Maintenance and equipment rental	6,585	9,945	16,830	8,874	2,097	9,553		3,590	57,474	6,746		64,220
Membership dues		153	149	76	78	38	38	76	608	15,645		16,253
Travel and transportation	72	1,741	46,051	22,664	1,813	1,775	195	27,077	101,388	9,301		110,689
Office expenses	17	361	902	833	72	88	2,790	618	5,681	5,989		11,670
General insurance	290	48,203	11,734	11,733	10,756	2,933		1,745	87,394	12,962		100,356
Worker's compensation	5,974	10,241	13,522	34,155	1,951	647	1,207	34,088	101,785	1,208		102,993
Vehicle expenses	10,012	13,510	166	1,466				57	25,211			25,211
Program transportation		36,400							36,400			36,400
Interest expense		767	222	126					1,115	252		1,367
Other expenses	461	2,233	6,483	3,207	157	161	16,406	1,958	31,066	536	15,594	47,196
Assistance to individuals					15		523,273		523,288			523,288
Depreciation	19,970	26,590	8,751	11,112	24,716	2,420			93,559			93,559
Total functional expenses	396,451	857,426	1,129,171	1,412,580	207,676	106,271	614,994	1,363,190	6,087,759	394,160	35,594	6,517,513

The accompanying notes are an integral part of these financial statements.

The Arc Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2010

	Metro Enterprises Business	Metro Enterprises Rehabil-itation	Early Intervention Programs	Respite Care Programs	Louisiana Career Development Center	Vocational Services Placement	Community Services	Community Life	Total Program Services	Manage-ment General and Other	Fund Raising	2010 Totals
Compensation and Related Benefits												
Salaries	$340,022	$548,620	$581,354	$1,147,447	$167,216	$112,031	$69,703	$1,101,067	$4,067,460	$207,970	$20,000	$4,295,430
Payroll taxes	26,563	40,404	43,149	85,830	11,806	7,715	5,236	84,227	304,930	10,611		315,541
Employee health		55,856	33,836	75,164	15,202	10,755	4,955	64,429	260,197	20,661		280,858
Retirement plan	5,592	37,091	34,959	34,515	9,963	7,485	5,731	22,294	157,630	45,594		203,224
	372,177	681,971	693,298	1,342,956	204,187	137,986	85,625	1,272,017	4,790,217	284,836	20,000	5,095,053
Contractual services	49,415	21							49,436			49,436
Professional services		20,228	221,342	4,590	3,390	2,254	11,481	3,045	266,330	24,086		290,416
Supplies	2,678	10,428	66,003	6,397	2,228	834	4,593	3,684	96,845	8,904		105,749
Utilities and telephone	16,043	40,317	36,104	13,852	20,131	7,367	874	6,392	141,080	14,493		155,573
Maintenance and equipment rental	20,116	18,217	14,794	7,326	3,086	1,272		3,204	68,015	12,906		80,921
Membership dues		153	153	76	38	38	38	76	572	25,383		25,955
Travel and transportation	258	1,816	31,505	24,765	5,970	1,907	2,187	25,502	93,910	17,454		111,364
Office expenses	341	465	582	799	118	421	2,713	681	6,120	7,527		13,647
General insurance		45,025	11,169	10,951	10,038	2,738		3,615	83,536	11,945		95,481
Worker's compensation	6,336	9,610	12,425	35,216	1,923	1,214	778	33,755	101,257	765		102,022
Vehicle expenses	13,246	12,304	1,233	2,467				5	29,255			29,255
Program transportation		28,700							28,700			28,700
Interest expense		374	11	462					847			847
Other expenses	1,799	19,066	3,460	5,935	1,177	470	1,247	2,383	35,537	9,656	11,883	57,076
Assistance to individuals					66		201,615		201,681			201,681
Depreciation		47,418	12,010	7,670	23,409	1,242		2,705	94,454			94,454
Total functional expenses	482,409	936,113	1,104,089	1,463,462	275,761	157,743	311,151	1,357,064	6,087,792	417,955	31,883	6,537,630

The accompanying notes are an integral part of these financial statements.

The Arc Baton Rouge
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$72,956	($432,814)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	93,559	94,454
Loss on disposal/sale of fixed asset	54	2
Net unrealized (gain) loss on investments	45,644	1,316
Write-off of notes receivable		14,026
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(10,804)	10,679
Inventory	(1,702)	1,129
Deposits	1,000	(1,000)
Increase (decrease) in:		
Accounts payable	39,229	(20,420)
Accrued expenses	4,863	(1,625)
Deferred income	(23,354)	55,648
Accrued pension cost	(31,584)	118,008
Net cash provided (used) by operating activities	189,861	(160,597)
Cash Flows From Investing Activities		
Purchase of property and equipment	(50,224)	(57,460)
Purchase of investments		(221)
Collections on notes receivable		15,785
Net cash used by investing activities	(50,224)	(41,896)
Cash Flows From Financing Activities		
Increase (decrease) in line of credit	(23,141)	37,626
Net cash provided by financing activities	(23,141)	37,626
Net Increase (Decrease) in Cash and Cash Equivalents	116,496	(164,867)
Cash and Cash Equivalents, beginning of year	412,631	577,498
Cash and Cash Equivalents, end of year	529,127	412,631

The accompanying notes are an integral part of these financial statements.

Note 1-Nature of Organization

The Arc Baton Rouge (the "Organization") is a not-for-profit organization which promotes, develops, monitors, supports, and directly provides services to improve the well being of people with disabilities and their families from East Baton Rouge and surrounding parishes. The Arc Baton Rouge has various funding resources that include the Capital Area United Way agency and federal and state contracts and grants.

The Arc Baton Rouge offers the following service programs:

*Metro Enterprises: (Metro Business and Metro Habilitation)*Day program services offer opportunities for people (age 22 and over) with mental retardation or other developmental disabilities to become more independent, integral, and productive members of society. Services include work adjustment training, community life enrichment, and paid work experience.

The Arc Baton Rouge Children's Services: (The Arc Early Head Start and Child Care Center and Early Intervention) Promotes the rights and full inclusion of children with special needs and their families. Together with community partners, the program provides services, support, and advocacy that inspire the community and individuals. The program provides child development services through The Arc Early Head Start and Child Care Center. Early Intervention services are provided for children with disabilities and families in home and community settings. The program also supports inclusion through training and technical assistance projects to support Early Childhood teachers and child care providers to include children with disabilities in natural settings. The Arc Children's Services also provides services to families of children with disabilities through parent support and training.

Respite Care Programs: The primary objective of Respite is to help prevent or delay institutionalization of individuals with developmental disabilities. The program provides relief, whether through physical assistance, supervision, or accompaniment on outings, for the primary care providers of children and adults with developmental disabilities. The support may occur in the individual's home, the community, or the Respite Center. It may occur regularly, or the family may only request assistance in an emergency situation.

Louisiana Career Development Center: Provides individuals who are deaf or deaf/blind with comprehensive assessments, travel training, work ethics training (including an internship), individual job placement in area businesses, and follow-up support to employees and employers.

Baton Rouge Vocational Services: Develops and creates employment opportunities for individuals (age 16 and older) with disabilities through a partnership with Louisiana Rehabilitation Services (LRS). Provides vocational assessments, job readiness skills, job placement and training services, and follow-up services.

Community Services: Provides disability education to the general public, service referral, advocacy, crisis assistance, and coordination of volunteer efforts, as well as recreational and leisure activities. Works with other established agencies to provide inclusive recreational opportunities for individuals with developmental disabilities and coordinates an array of recreational and special events. An adaptive swim program with individual therapy and lessons is offered every summer.

Note 1-Nature of Organization (Continued)

Community Life: Provides supported living services to adults with developmental disabilities who require assistance or support to live in their own homes in the community. The goal of Community Life is to provide opportunities and support for individuals in their quest to live as independently as possible and to be successfully included in the community.

Note 2-Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, recognizing revenue when earned and expenses when incurred.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting for Not-for-Profit Organizations Topic of the FASB Accounting Standards Codification. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. These net asset classifications are described as follows:

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Center to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be retained and invested permanently by the Company.

The Organization has no permanently restricted net assets.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

The Organization considers all funds on hand and with financial institutions with maturities of three months or less to be cash equivalents.

Note 2-Significant Accounting Policies (Continued)

E. Receivables

The Organization considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

F. Inventory

Inventory is stated at the lower of cost or market using the first-in first-out method.

G. Investments

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value. Fair value is determined using quoted market prices (where available) or, if not available, estimated fair values based on quoted market prices of financial instruments with similar characteristics. All other investments are carried at the lower of cost or market. Recognized gains and losses on investments are reflected in the statement of activities. Dividends and interest income are recorded during the period earned. Unrealized gains and losses are included in the changes in net assets. Investment income is reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

The Organization adopted the Fair Value Measurements and Disclosures Topic under the FASB - Accounting Standards Codification. Under this topic, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The topic establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

Note 2-Significant Accounting Policies (Continued)

G. Investments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

H. Property and Equipment

Property and equipment are recorded at cost. Property and equipment donated for operations are recorded as additions to net assets at fair value at the date of receipt and depreciated using the straight-line method of depreciation over the useful lives of the assets, which range from 3-35 years.

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

I. Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

J. Contract Revenue

The Organization depends significantly on grant contract reimbursements to carry out its program activities. This revenue is disclosed as program revenue on the statements of activities.

Grant revenue is recorded as related expenses are incurred, and reimbursement requests are submitted to the grantor agency.

Note 2-Significant Accounting Policies (Continued)

K. Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501 (c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization has been classified as an organization other than a private foundation.

The Organization adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Organization evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2008.

L. Functional Expenses

The Organization allocates functional expenses primarily by specific identification of program expenses which include salaries of personnel assigned to specific programs. However, certain administrative salaries and related expenses and other general expenses are allocated using percentages which are adjusted annually. These percentages coincide with grant agreements and budgets.

M. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the increase in net assets.

Note 3-Investments

Investments in money market funds and certificates of deposits are stated at cost and equity investments are stated at market value as quoted by national publications. At June 30, 2011 and 2010, investments are as follows:

	2011	**2010**
Certificate of deposit		$50,000
Money Market Funds	$63,748	63,559
Equity investments - corporate stock	14,242	10,075
	77,990	123,634

Note 3-Investments (Continued)

Investment income from cash equivalents and investments is comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Unrestricted		
Dividends and interest	$380	$371
Net unrealized gains (loss)	4,166	(1,316)
Total (loss)	4,546	(945)

Note 4-Property and Equipment

A summary of property and equipment at June 30, 2011 and 2010, is as follows:

	2011	2010
Buildings and improvements	$2,243,539	$2,236,509
Furniture and equipment	567,330	529,163
Vehicles	174,320	174,320
	2,985,189	2,939,992
Less depreciation to date	2,272,585	2,183,999
	712,604	755,993
Land	209,997	209,997
Property and equipment, net	922,601	965,990

Note 5-Line of Credit

The Arc Baton Rouge has a line of credit with Capital One Bank, N.A. for $200,000, due on demand, of which $14,485 and $37,626 were drawn at June 30, 2011 and 2010, respectively. The interest rate at June 30, 2011 and 2010 was the prime rate of 3.25%. The line is secured by the building on Kelwood Avenue.

Note 6-Pension Plan

The Organization has a Defined Benefit pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years' salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Note 6-Pension Plan (Continued)

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the statements of financial position for the years ended June 30, 2011 and 2010.

	Pension Benefits	
	2011	2010
Changes in Benefit Obligations		
Benefit obligations at beginning of year	$4,194,530	$3,679,766
Service cost	167,931	158,666
Interest cost	234,414	232,361
Change due to assumption changes	114,759	285,794
Actuarial (gain) loss	(20,053)	(79,248)
Benefits paid	(492,962)	(53,476)
Expense charges	(37,392)	(29,333)
Benefit obligations at end of year	4,161,227	4,194,530
Changes in Plan Assets		
Fair value of plan assets at beginning of year	3,104,316	2,707,560
Actual return on plan assets	429,035	361,065
Employer contributions	99,600	118,500
Benefits paid (including expense charges)	(530,354)	(82,809)
Fair value of plan assets at end of year	3,102,597	3,104,316
Funded status/accrued benefit costs	(1,058,630)	(1,090,214)

The Organization adopted the recognition of the funded status provisions of the Employer's Accounting for Defined Benefit Pension and Other Post-retirement Plans Topic under the FASB - Accounting Standards Codification. This topic requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements.

Pension related changes other than net periodic cost under the Employer's Accounting for Defined Benefit Pension and Other Post-retirement Plans Topic of the FASB - Accounting Standards Codification are as follows:

	Pension Benefits	
	2011	2010
Prior service credit (cost)	($74,477)	($74,477)
Net actuarial gain (loss)	318,145	41,139
Transition obligation or asset	(7,244)	(5,532)
Total	236,424	(38,870)

Note 6-Pension Plan (Continued)

Items not yet recognized as a component of net periodic benefit costs:

	2011	2010
Unrecognized prior service credit (cost)	($222,767)	($297,244)
Unrecognized net actuarial loss	1,055,810	1,373,955
Transition obligation or asset	(14,050)	(21,294)
Total	818,993	1,055,417

The accumulated benefit obligation for the pension plan was approximately $3.1 million as of June 30, 2011 and 2010, respectively.

The weighted average assumptions used to determine benefit obligations and net benefit costs for the years ended 2011 and 2010 are as follows.

	Pension Benefits	
	2011	2010
Benefit Obligations		
Discount rate	5.25%	5.50%
Expected long-term rate of return on plan assets	7.25%	7.50%
Rate of compensation increase	4.50%	4.50%
Net Benefit Costs		
Discount rate	5.25%	5.50%
Expected long-term, rate of return on plan assets	7.25%	7.50%
Rate of compensation increase	4.50%	4.50%

The Expected Long-Term Rate of Return on Plan Assets assumption of 7.25% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. Based on The ARC Baton Rouge's investment policy for the pension plan in effect as of the beginning of fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical thirty year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.09% to 8.46%. A rate within the best estimate range of 7.25% was selected.

Note 6-Pension Plan (Continued)

The components of net periodic benefit costs for the years ended June 30, 2011 and 2010 are as follows (in thousands):

	Pension Benefits	
	2011	2010
Service cost	$167,931	$158,666
Interest cost	234,414	232,361
Expected return on plan assets	(227,319)	(204,406)
Amortization of unrecognized transitional obligation or (asset)	(5,532)	(5,532)
Amount of recognized actuarial (gains) or losses	96,491	91,026
Amount of prior service cost recognized	(74,477)	(74,477)
Amount of (gain) or loss recognized due to settlement	112,932	
Net periodic benefit costs	304,440	197,638

The Organization expects to contribute approximately $150,000 to the plan in 2012. Benefits expected to be paid during the ensuing five years and thereafter, are approximately as follows:

Fiscal Year Beginning	Pension Benefits
July 1, 2011	$263,000
July 1, 2012	48,000
July 1, 2013	59,000
July 1, 2014	340,000
July 1, 2015	781,000
July 1, 2016 - 2020	1,752,000

Plan Assets by Category

	As of June 30, 2011		As of June 30, 2010	
	Amount	Percent	Amount	Percent
Equity	$1,276,918	41.16	$1,136,345	36.60
Fixed Income	1,676,579	54.04	1,830,540	58.97
General Account	149,100	4.80	137,431	4.43
Total	3,102,597	100.00	3,104,316	100.00

The Organization's investment strategy is a long-term investment mix of forty percent common stocks and sixty percent fixed income investments which include bonds and cash equivalents. The permitted range by investment category is 25% - 75% for common stock and bond funds and up to 40% for cash equivalent funds.

Note 7-Pension Plan - Defined Contribution

The Organization has a non-contributory defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers all of its employees who meet eligibility requirements. Employees may contribute 100% of eligible compensation, not to exceed federal limits.

Note 8-Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 are as follows:

Deaf/Blind Camp	$46,519

Note 9-Concentration of Risk

Credit receivables have significant concentrations of credit risk in the governmental sector in the Baton Rouge, Louisiana area. At June 30, 2011 and 2010, the portion of these receivables related to this sector was approximately 80% and 71%, respectively.

At various times during the year, interest bearing accounts on deposit with one banking institution exceeded the $250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

Note 10-Economic Dependency

The Organization receives a majority of its revenue from funds provided through programs administered by the State of Louisiana and United Way. The program amounts are appropriated each year by the Federal and State governments and the United Way Agency. If significant budget cuts are enacted at the Federal and/or State level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note 11-Contingencies - Federal and State Programs

The Organization participates in Federal and State programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired.

A Medicaid audit of client service logs, staff files, and corresponding billing records was performed in October 2010 covering the period of January 1, 2010 to March 31, 2010. Findings of that audit were transmitted to management in July 2011. The amount of disallowed costs is undeterminable at this time. Management filed documentation refuting the findings and has requested an informal hearing.

Note 11-Contingencies - Federal and State Programs (Continued)

In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and The Arc Baton Rouge.

Note 12-Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at June 30, 2011 comprise the following:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)	Total
June 30, 2011				
Money Market Funds	$63,748	–	–	$63,748
Equity Investments				
Corporate stocks	14,242	–	–	14,242
	77,990	–	–	77,990
June 30, 2010				
Money Market Funds	$63,558	–	–	$63,558
Equity Investments				
Corporate stocks	10,075	–	–	10,075
	73,633	–	–	73,633

Generally, for all investments and assets held in trust, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 13-Subsequent Events

The Organization evaluated all subsequent events through November 30, 2011, the date the financial statements were available to be issued. As a result, the Organization noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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LOUIS C. McKNIGHT, III, C.P.A.
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November 30, 2011

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
The Arc Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of The Arc Baton Rouge (A Non-Profit Organization), Baton Rouge, Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Arc Baton Rouge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Baton Rouge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc Baton Rouge's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

The Arc Baton Rouge
Summary of Current Year Findings
Year Ended June 30, 2011

Findings - Financial Statement Audit

None.

The Arc Baton Rouge
Summary of Prior Year Findings
Year Ended June 30, 2010

Findings - Financial Statement Audit

None.